

REPORT TO THE LEGISLATURE
May 3, 2002

Wage Increases for Nursing Homes
Low-wage Direct Care Workers
Second Survey

Chapter 7, Laws of 2001, Section 206

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Wage Increases for Nursing Homes Low-Wage Direct Care Workers Second Survey

BACKGROUND

Section 206 (13) of Engrossed Substitute Senate Bill (ESSB) 6153, the Omnibus Operating Budget, states in part that funds:

... are provided solely for prospective rate increases intended to increase compensation for low-wage workers in nursing homes which contract with the state. For fiscal year 2002, the department shall add forty-five cents per patient day to the direct care rate which would otherwise be paid to each nursing facility in accordance with chapter 74.46 RCW. For fiscal year 2003, the department shall increase the median price per case-mix unit for each of the applicable peer groups by six-tenths of one percent in order to distribute the available funds. In consultation with the statewide associations representing nursing facilities, the department shall establish a mechanism for testing the extent to which funds have been used for this purpose, and report the results to the fiscal committees of the legislature by February 1, 2002.

Additionally, the Expenditure Detail Reports from the budget states the following for DSHS, Long-Term Care (Agency 300, Program 050):

6. Long-Term Care Worker Wages - Funding is provided to increase pay for low-wage workers who provide direct care for elderly and disabled persons in their own homes, in nursing homes, and in community residential programs. When combined with the vendor rate increases funded above, funding is sufficient to increase hourly wages an average of 50 cents effective July 1, 2001 for home-care workers, nurses aides, and residential care staff currently earning less than \$10 per hour.

INTRODUCTION

On July 1, 2001 the department prospectively increased the direct care component of Medicaid rates for nursing homes by forty-five cents per ESSB 6153. In August, the department participated in a series of presentations to the industry regarding the results of the 2001 legislative session. In conjunction with these presentations, open discussions were held regarding the salary increase funding. Through subsequent discussions with the Washington Health Care Association and the Washington Association of Housing and Services for the Aging, the two statewide nursing home associations, a survey was developed and sent out to all nursing homes with Medicaid contracts.

The survey was designed to determine which classifications of employees received increases and how those increases were distributed. The survey also included sections for narrative response and a peer group question to validate response coverage. Less than one-third of the nursing facilities responded to the survey. The department offered to conduct a second survey, and here are the results.

FINDINGS

The breakdown of the respondents by peer group indicates that 50 out of 65, or 77% of the facilities in High-cost Urban Counties responded; 79 out of 119, or 66% of the facilities in Urban Counties responded; and 45 out of 74, or 61% of Nonurban Counties responded. Overall, this amounted to a 67% response rate, up from 31% last winter. After the first survey, facilities have responded more directly to the salary issue versus the forty-five cents. It is somewhat confusing to differentiate between how the enhancement was used when increases took place on a broader scale. For instance, one chain provided for an across the board percentage increase to nurses. Their comment, however, was that the enhancement funding covered the nursing assistants and that no Medicaid funding was used for the LPNs or RNs. For 2001, each facility in this chain was overspent in direct care.

- Of the facilities that responded:
 - 97% reported providing for salary increases
 - 91% of these provided increases to Nursing Assistants (NAs)
 - 50% to Licensed Practical Nurses (LPNs)
 - 47% to Registered Nurses (RNs)
- Of the 169 facilities that provided Direct Care increases during the fiscal year:
 - 8 had provided increases prior to 07/01/01 and used the funding to cover the increases

- 80% provided salary increases
- 4% provided incentives and bonuses
- 7% provided both
- Several facilities enhanced benefits or covered employee insurance cost increases
- Other uses include hire-on bonuses,
- 7 facilities enhanced benefits by absorbing premium increases, adding life insurance, reducing employee insurance contributions, adding paid vacations and more, including Mariner's tickets.
- 53 reported providing increases only to NAs
- 16 reported providing no increases to NAs
- Of the 158 facilities that provided increases to NAs:
 - 56% provided greater percentage increases to NAs than to other staff
 - 8% provided lesser percentage increases to NAs than to other staff

Nursing Assistant's salary increases varied from 2% to 14%. The majority of these increases were in the 3% to 5% range.

Non-salary increases included bonuses, attendance incentives and recruiting rewards.

Many facilities stressed that the funding amounted to an average of around \$0.09 per employee hour. Based upon the formulas provided, there appears to be a misconception that the State should pay for the entire increase and not just Medicaid portion.

CONCLUSION

It is apparent that some increases would have taken place regardless of the funding and there was little differentiation between those increases and increases due to the additional funding. Facilities that did not provide salary increases fell into two categories. One-third provided no salary increases with the funds provided due to already spending well over the lid. The other two-thirds had already provided enhancements within the past year and used the additional funding to cover those increases.

A recurring factor in the review was the resistance by many facilities to limit increases to low-wage direct care staff only. Most facilities provided increases for other classifications as well.

Some facilities indicated that the increase didn't come close to covering their needs, but they appreciated the recognition that staff salaries are an increasingly significant and ominous challenge to deal with in today's competitive market.

These were some of the same facilities that noted significant reductions in turnover due to salary enhancements. One facility went as far to say that their cost savings offset their enhancement costs.

DSHS/AASA is in the process of following up with the 84 facilities that did not respond. A letter has been sent to each of them indicating the importance of this information. The letter indicates that the facilities have until May 13 to respond. After that date, the department will provide a list of non-respondent facilities to the legislature and may consider other measures to obtain information if the rate of non-response is still significant.